SUNTAR ECO-CITY LIMITED (REGISTRATION NO: 200613997H)

FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER AND FIRST HALF YEAR ENDED 30 JUNE 2018

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(a)(i)
UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND FIRST HALF YEAR ENDED 30 JUNE 2018

	Group 2Q 2018 RMB'000	Group 2Q 2017 RMB'000	+ / (-) %	Group 1H 2018 RMB'000	Group 1H 2017 RMB'000	+ / (-) %
Revenue	12,066	10,067	19.9	21,602	23,907	(9.6)
Cost of sales	(11,091)	(8,398)	32.1	(19,747)	(20,365)	(3.0)
Gross profit	975	1,669	(41.6).	1,855	3,542	(47.6)
Other operating income	566	304	86.2	984	645	52.6
Administrative expenses	(2,568)	(1,720)	49.3	(4,744)	(3,053)	55.4
Selling and distribution expenses	(102)	(153)	(33.3)	(178)	(315)	(43.5)
(Loss) Profit before income tax	(1,129)	100	n.m.	(2,083)	819	n.m.
Income tax	(142)	(83)	71.1	(142)	(22)	n.m.
(Loss)Profit for the period, representing total comprehensive (loss) income for the period and attributable to owners of the company	(1,271)	17	n.m.	(2,225)	797	n.m.

1(a)(ii)
Other Credits/(Charges)

Staff costs	(816)	(789)	3.4	(1,592)	(1,430)	11.3
Depreciation	(528)	(494)	7.0	(1,177)	(988)	19.1
Amortisation	(109)	(109)	-	(218)	(218)	-
Exchange differences	(158)	(135)	n.m	3	(163)	n.m.
Interest income	566	302	87.4	985	643	53.0
Research expenses	(287)	(65)	n.m.	(874)	(147)	n.m.

n.m.= not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

1(b)(i)

UNAUDITED STATEMENTS OF FINANCIAL POSITION

	Group 30/06/2018 RMB'000	Group 31/12/2017 RMB'000	Company 30/06/2018 RMB'000	Company 31/12/2017 RMB'000
ASSETS				
Current assets				
Cash and cash equivalents	42,991	66,363	563	365
Structured deposits	27,000	-	-	-
Trade receivables	9,307	9,203	-	-
Other receivables and prepayments	2,693	2,910	32	8
Prepaid lease premium	355	355	-	-
Property held for sale	15,920	22,595	-	-
Inventories	22,254	19,171	-	-
Total current assets	120,520	120,597	595	373
Non-current assets				
Prepaid lease premium	13,650	13,828	-	-
Properties under development	838	838	-	-
Property, plant and equipment	5,294	5,944	-	-
Intangible assets	174	214	-	-
Subsidiaries	-	-	131,406	131,406
Total non-current assets	19,956	20,824	131,406	131,406
Total assets	140,476	141,421	132,001	131,779
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	26,942	25,299	-	-
Other payables	12,138	12,141	9,010	8,232
Tax payable	1,556	1,916	-	-
Total current liabilities	40,636	39,356	9,010	8,232
Capital and reserves				
Share capital	162,713	162,713	162,713	162,713
Statutory reserves	434	434	-	-
Accumulated losses	(63,307)	(61,082)	(39,722)	(39,166)
Net equity	99,840	102,065	122,991	123,547
Total liabilities and equity	140,476	141,421	132,001	131,779

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30/06/2018		As at 31/12/2017	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Nil	8,474	Nil	7,014

Amount repayable after one year

As at 30/06/2018		As at 31/12/2017	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Nil	Nil	Nil	Nil

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND QUARTER AND FIRST HALF YEAR ENDED 30 JUNE 2018

	Group		Group	
	2Q 2018 RMB'000	**2Q 2017 RMB'000**	**1H 2018 RMB'000**	**1H 2017 RMB'000**
Operating activities:				
(Loss)Profit before income tax	(1,129)	100	(2,083)	819
Adjustments for:				
Depreciation of property, plant and equipment	528	494	1,177	988
Amortisation on prepaid lease premium	89	89	178	178
Amortisation of intangible assets	20	20	40	40
Interest income	(566)	(302)	(985)	(643)
Unrealised exchange loss (gain)	158	135	(3)	163
Operating cash flow before movements in working capital	(900)	536	(1,676)	1,545
Trade receivables	(1,728)	1,629	(104)	(599)
Other receivables and prepayments	447	(1,742)	217	(81)
Inventories	3,605	(1,850)	(3,083)	(2,495)
Property for sale	5,046	-	6,675	3,525
Trade payables	(5,858)	8,163	1,643	5,199
Other payables	(184)	(267)	(1,463)	(118)
Cash from operations	428	6,469	2,209	6,976
Interest received	566	302	985	643
Income tax paid	(369)	205	(502)	(140)
Net cash from operating activities	625	6,976	2,692	7,479
Investing activities:				
Increase in structured deposits	(21,000)	1,300	(27,000)	(4,200)
Purchase of property, plant and equipment	(264)	(584)	(527)	(686)
Net cash generated from(used in) investing activities	(21,264)	716	(27,527)	(4,886)
Financing activities				
Receipt of advances from a director, representing net cash generated from financing activity	1,362	923	1,460	923
Net decrease in cash and cash equivalents	(19,277)	8,615	(23,375)	3,516
Cash and cash equivalents at beginning of financial period	62,426	25,478	66,363	30,605
Effect of exchange rate changes on the balance of cash held in foreign currencies	(158)	(135)	3	(163)
Cash and cash equivalents at end of the period	42,991	33,958	42,991	33,958

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(1)(d)(i) UNAUDITED STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'000	Statutory reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Group				
Balance as at 1 January 2018	162,713	434	(61,082)	102,065
Loss for the period, representing total comprehensive loss for the period	-	-	(954)	(954)
Balance as at 31 March 2018	162,713	434	(62,036)	101,111
Loss for the period, representing total comprehensive loss for the period	-	-	(1,271)	(1,271)
Balance as at 30 June 2018	162,713	434	(63,307)	99,840
Balance as at 1 January 2017（Restated)	162,713	235	(43,409)	119,539
Profit for the period, representing total comprehensive income for the period	-	-	780	780
Balance as at 31 March 2017	162,713	235	(42,629)	120,319
Loss for the period, representing total comprehensive loss for the period	-	-	17	17
Balance as at 30 June 2017	162,713	235	(42,612)	120,336
Company				
Balance as at 1 January 2018	162,713	-	(39,166)	123,547
Loss for the period, representing total comprehensive loss for the period	-	-	(31)	(31)
Balance as at 31 March 2018	162,713	-	(39,197)	123,516
Loss for the period, representing total comprehensive loss for the period	-	-	(525)	(525)
Balance as at 30 June 2018	162,713	-	(39,722)	122,991
Balance as at 1 January 2017	162,713	-	(37,561)	125,152
Loss for the period, representing total comprehensive loss for the period	-	-	(170)	(170)
Balance as at 31 March 2017	162,713	-	(37,731)	124,982
Loss for the period, representing total comprehensive loss for the period	-	-	(410)	(410)
Balance as at 30 June 2017	162,713	-	(38,141)	124,572

(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not applicable.

1(d)(iii) To show the total number of issued shares excuding treasury share as at the end of the immediate preceding year.

	As at 30 June 2018	As at 31 December 2017
Total number of issued shares	62,759,999	62,759,999

There are no treasury shares as at 31 December 2017 and 30 June 2018.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period report on.

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current period as those of the audited financial statements as of 31 December 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group's financial statements for the year ending 31 December 2018 is prepared in accordance with the Singapore Financial Standards (International) ("SFRS(I)"). The Group has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that the adoption of SFRS(I) 109 resulted in changes in the accounting policies relating to the recognition and measurement of its receivables, and additional disclosures be made with respect to the expected credit loss model. The adoption of SFRS(I) 115 resulted in the changes in to the accounting policies relating to revenue recognition and revenue will be recognised when (or as) a performance obligation is satisfied. Additional disclosures be made, including any significant judgement and estimation made. Other than the adoption of the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect the current financial year, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings Per Share

	Group 2Q 2018 RMB Cents	Group 2Q 2017 RMB Cents	Group 1H 2018 RMB Cents	Group 1H 2017 RMB Cents
Loss per ordinary share were:				
Based on the weighted average number of ordinary shares on issue; and	(2.02)	0.03	(3.54)	1.27
On a fully diluted basis	(2.02)	0.03	(3.54)	1.27

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.

Net Asset Value

	Group 30/06/2018 RMB Cents	Group 31/12/2017 RMB Cents	Company 30/06/2018 RMB Cents	Company 31/12/2017 RMB Cents
Net asset value per ordinary share based on total number of issued shares	159.08	162.63	195.97	196.86

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Income Statement

The Group's revenue increased by RMB2.0 million or 19.9% to RMB12.1 million for the second quarter ended 30 June 2018 ("2Q 2018") compared to the corresponding period in 2017. This was mainly due to higher contributions from property development segment and partially offset by decrease in revenue from pharmaceutical ingredients products segment. In 2Q 2018, the Group sold 7 residential units and 1 car park lot of Lan County residential project. The Group did not record revenue from property development segment in 2Q 2017. The contribution from pharmaceutical ingredients products segment dropped from RMB10.1 million in 2Q 2017 to RMB7.6 million in 2Q 2018.

The Group recorded gross profit of RMB1.0 million for 2Q 2018 as compared to RMB1.7 million for 2Q 2017. The property development segment contributed a gross profit of RMB1.1 million in 2Q 2018. The pharmaceutical ingredients product segement recorded the gross loss of RMB0.1 million mainly due to negative gross profit margin of our main pharmaceutical ingredients product named Dexamethasone sodium phosphate. The unit selling price for this product dropped in 2Q 2018 due to the intense market competition.

Other operating income for 2Q 2018 increased by RMB0.3 million as compared to the corresponding period for 2Q 2017 mainly due to higher interest income generated from structured deposits.

Administrative expenses were higher by 49.3% or RMB0.8 million in 2Q 2018 compared to 2Q 2017 mainly due to higher research expenses, staff cost and depreciation. Selling and distribution expenses decreased by 33.3% in 2Q 2018 as against 2Q 2017 mainly due to lower packing and distribution expenses as the result of the decrease in sales of pharmaceutical ingredients product.

Statement of Financial Position

Other receivables decreased by RMB0.2 million to RMB2.7 million as at 30 June 2018 due to lower advances to suppliers.

Property held for sale decreased to RMB16.0 million from RMB22.6 million in 2017 due to the sales of 10 residential units and 1 car park lot of Lan County residential project in 1H 2018.

Inventories increased to RMB22.3 million from RMB19.2 million mainly because of the increase in finished goods of pharmaceutical ingredients products.

Trade payables increased to RMB26.9 million from RMB25.2 million mainly due to an increase in advance payment from customers relating to sales of pharmaceutical ingredients products.

Statement of Cash Flows

The overall net cash decrease in cash and cash equivalent of $19.3 million for three months period ended 30 June 2018 was mainly attributable to placement of structured deposits of RMB21.0 million and purchase of fixed asset of RMB0.3 million, offset by cash generated from operating activities amounting to RMB0.6 million and receipt of interest-free advances from a Director for the daily working cash flow requirements in Singapore amounting to RMB1.4 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The current results for 2Q 2018 are in line with the general prospect commentary previously disclosed in the results announcement for the financial period ended 31 March 2018.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

We expect continued market volatility for the two main products Dexamethasone Acetate and Dexamethasone Sodium phosphate in terms of average sales price, volume as well as raw material cost, which could lead into continued volatility for the pharmaceutical ingredients segment in terms of revenue and gross profit.

The Group continued sales of Lan County project is expected to continue to contribute to the Group's revenue for this financial year.

11. If a decision regarding dividend has been made:-

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

None.

(b) (i) Amount per share ….. cents

Nil.

(ii) Previous corresponding period ….. cents

Nil.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividends have been declared or recommended.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for Interested Person Transaction.

14. Use of initial public offering proceeds

Please refer to the Company's announcements through SGXnet on 14 November 2013, 19 May 2015 and 3 May 2016 for the use of IPO proceeds.

15. Negative confirmation pursuant to Rule 705(5) of the Listing Manual.

The Directors hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Company for 2Q 2018 to be false or misleading in any material aspect.

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720 (1).

The Company confirms that undertakings have been procured from all Directors and Executive Officers under Rule 720 (1).

BY ORDER OF THE BOARD

Dr Lan Weiguang
Non-Independent Non-Executive chairman

14 August 2018